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## **Transformational and Transactional Leadership Styles and its Impact on the Performance of the Public Sector Organizations in Pakistan**

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### **Abstract**

*Public sector organizations provide fundamental services to the people of a country in all spheres of life. Therefore the performance of public sector organizations has gained considerable attention in the current research era. This study aims to evaluate the transformational and transactional leadership styles and its impact upon the performance of public sector organizations in Pakistan. For this purpose three public sector organizations were randomly selected. To collect data structured questionnaire was adopted and administered to 190 employees of the sample public sector organizations in Khyber Pakhtunkhwa province Pakistan. The study reveals that both of the leadership styles have significant relationship with the organizational performance. It is therefore concluded that transformational and transactional leadership styles have positive impact on organizational performance.*

**Keywords:** Organizational Performance, Transformational leadership, Transactional leadership.

The role of public sector organizations is highly crucial in human development in any country. Public sector organizations play very diverse and crucial role in providing various fundamental services such as water, electricity, health, law and order, transport and education to the public. Therefore smooth running of the public sector organizations is important in order to facilitate the people and their wellbeing and prosperity (Mohammed, 2007). However it is obvious that the performance of the public sector organizations in Pakistan has been very poor (Mohammed, 2007). There are so many factors that can be held responsible for this (Hirschmann, 1993). Khan (2002) highlighted that there is “lack of transparency, undue political influences, lack of resources, delayed projects, large and unskilled work force”. The same author further

explained that weak leadership is also one of the factors that can be held responsible for the deterioration of public sector organizations in Pakistan. This phenomenon is also discussed by Khan (2002) and said that strict bureaucratic leadership is one of the main reason for the inefficiency of public sector organizations in Pakistan.

This in-efficient and in-effective performance of public sector organizations has been a perturbing chapter both for researchers and planners. In this entire situation the role of leadership cannot be ignored as leaders deeply influence the organizational performance. Besides, leadership is viewed by some researchers as one of the key driving force for increasing organizational performance. Avolio (1999) and Rowe (2001) argue that effective and efficient leadership is one of the potential sources of management development, sustained competitive advantage and organizational performance. But unfortunately lack of effective leadership is a long standing issue in the public sector organizations in Pakistan. According to the styles and behavior theories the leadership effectiveness or in-effectiveness contingent upon the particular style of leadership in public or private sector organizations (Bowers & Seashore, 1966). Therefore understanding the effects of leadership styles on performance in the public sector organization in Pakistan is important.

It is obvious that number of studies has been conducted on the leadership styles and its effects on the organizational performance (e.g., Awamleh & Gardner, 1999; Bass, 1985; House, 1977) and a number of very critical organizational outcomes such as employee's commitment, employee's satisfaction and organizational group performance are checked through these leadership styles. (e.g., Kirkpatrick & Locke, 1996). But hardly few studies have found out the mutual effects of transformational and transactional leadership styles on the employees' performance and organizational performance in the public sector organizations in Pakistan. Additionally there is lack of a comprehensive model in the available studies which can better explain the interrelationship between the transformational, transactional leadership styles, employees' satisfaction and organizational performance.

Therefore this study is conducted to evaluate the impact of transformational, transactional leadership styles on the performance of public sector organizations in Pakistan. This study, hence, selected Peshawar Electric Supply Corporation (PESCO),

Sui Northern Gas Pipelines Limited (SNGPL), and National Bank of Pakistan (NBP) to be evaluated by applying the leadership styles such as transformational and transactional leadership.

This research study would provide in-depth knowledge and information regarding the effectiveness of organizational leadership styles in the public sector organizations in Pakistan. This research would be helpful to identify the most suitable leadership styles that can enhance the effectiveness of leadership in the public sector organizations in Pakistan and findings of the study will broaden the understanding of policy makers regarding the effective leadership styles particularly in the specific context of public sector organizations in Pakistan.

### **Literature Review**

The performance of an organization is determined by its leadership style. The style of leadership exercises a deeper and meaningful influence on success or failure of the organization. Ashibogwu (2008) notes that one of the reasons for failure of the organizations and enterprises could be an inappropriate leadership style. Leadership style in an organization is one of the factors that play significant role in enhancing or retarding the interest and commitment of the individuals in the organization that leads to better performance. According to Glantz (2002) manager of organization can use their leadership styles effectively to improve the performance of the organization.

Avolio (1999) and Rowe (2001) argue that leadership style is closely related to better organizational performance. According to Sun (2002) leadership style determine the success and failure of the organizational performance. Based on this theoretical framework the current study investigates into the transactional and transformational leadership styles on performance of the public sector organizations in Pakistan. Leadership style according to Gill (2006) is motivating and directing employees towards the achievement of organizational goals and it can influence and inspire people that lead to better organizational performance.

### **Transformational, transactional leadership styles and organizational performance**

According to Yukl (1994) and Burns (1978) transactional leadership theory creates commitment for employees to achieve

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common goal which ultimately leads to better organizational performance (Yukl, 1998).

Transformational theory on the other hand explain that leaders focus upon the interest of their followers, they are providing them proper counseling regarding their awareness and recognition and finally they keep them motivated for the group interest rather than their self-interest. In this way leaders develop an environment where there is trust and creativity and they are able to bring about a desirable change in the organization performance (Bass, 1997).

Thus it is evident from the above discussion that theories of transformational leadership is focused upon emotions and values (Yukl, 1994) which means that there is such a close relationship between leaders and followers that is based on high levels of morality and motivation (Burns,1978). In other words it will not be wrong to say that transformational leaders work for enhancement of the followers' interest, create awareness and acceptance among followers, and motivate them to go beyond self-interest. As a result they develop organizational teamwork (Bass, 1997).

In the words of Avolio and Bass (1995) there are few components in the transformational leadership having fundamental importance such as idealized influence that is motivation through inspiration. It serves as a charismatic role model for the team members and due to which leadership develops a share vision for the future. This is the reason that in this type of leadership styles the individuals go beyond their self-interest and work for the largest interest of the organization. Thus, organizations working under transformational leadership style are more sustainable and growth oriented.

On the other hand Burns (1978) elaborates that transactional leadership is contingent upon exchange of rewards where cooperation and motivation of the team members is gained on the basis of providing rewards. Thus transactional leaders focus on subordinate job satisfaction and motivation by creating expectations. The performance of the team members is associated with rewards and expectations rather than inspiration and cooperation (Burns, 1978).

Furthermore, according to Bass (1985) transactional leadership style is contingent upon reward based performance and management by expectation. In this type of leadership the

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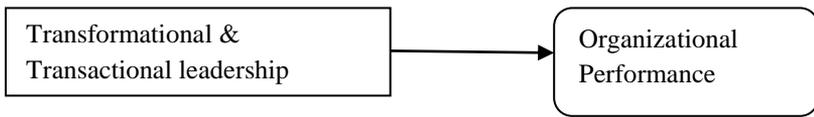
management takes corrective action when problem arise. On the other hand, transformation leadership is based on charisma, inspiration and intellectual stimulation. There is close understanding between the leadership and the subordinates with regard to goals of the organization. Thus in this type of leadership the performance takes place on the basis of shared understating of the tasks to be performed. Hence is based on pro-active approach of management.

Bass and Avolio (1990) further explain that each cardinal components of transformational leadership such as inspiration, vision, charisma, and intellectual stimulation have deeper impact upon the leader team relationship which contributes towards mutual trust, commitment, and ownership of the organizational goals. In this type of leadership style the followers are helped to think and analyze their problems from individual perspectives as well which encourages, creativity, accept challenge and conventional wisdom.

A research study on the relationship between leadership styles and employees job satisfaction explored that employees job satisfaction is one of the important function of the leadership styles (Filley, 1976). In most of these previous studies researchers have focused on the relationship between the transactional leadership style and employees job satisfaction. However, recently the focused has diverted towards the transformational leadership styles and employees job satisfaction (Midley & Larochelle, 1995).

Additionally, Burns (1978) has elaborated that transactional leadership styles focuses on the exchange in order to fulfill the current needs of the employees in the exchange of their output. While transformational leaders attempt to raise the needs of subordinates and fulfill these needs in more appropriate way. It focuses to properly manage the rapid changes occur in the organization with respect to individual, group and organization. Similarly, Bass (1985) argues that transactional leaders recognize the needs of their subordinates and further clarify that how these needs and wants can be satisfied. While transformational leadership evaluates the influence of the subordinate from lower to higher order needs as mentioned in the Maslow's hierarchy theory. The above literature review enables us to conclude that transactional and transformational leadership styles both are deeply related to the employee's performance. This further led organizational performance.

## Theoretical Model



## Research Methodology

### Population, Sample and Subjects

Three public sector organizations such as Peshawar Electric Supply Corporation (PESCO), National Bank of Pakistan (NBP) and Sui Northern Gas Pipeline Limited (SNGPL) were randomly selected to be evaluated in this study. These organizations are working under federal government and their regional offices are located in Khyber Pakhtunkhwa province. Public sector organizations were selected in order to find out the impact of transactional and transformational leadership styles on the public sector organizations in Pakistan. A total of 190 questionnaires were distributed by hand to the respondents working as full time employees in the selected public sector organization. The number of the questionnaire distributes in the organizations depend upon the size of the particular companies. A number of 150 questionnaires were return which is 79% out of the 190 distributed.

### Measures

Independent variable in the current study (e.g., Transformational and transactional leadership) was measured through the Multifactor Leadership Questionnaire (MLQ-5x/Short Form) developed by (Avolio & Bass, 1995). This questionnaire is available in so many versions. In this study MLQ-5x/Short version was adopted and used which consist of 32 questions.

While the data about organizational performance was collected through a questionnaire adopted from a survey of Park, Kang, Kwon and Kim (2001). This instrument is considered the best instrument for the measurement of organizational performance by the researchers because of its high validity and reliability (Kim, 2007). Responses to the survey were measured against 5- point likert scale.

## Results and Discussions

For the purpose of determining the relationship between various variables of transactional and transformational leadership and organizational performance, Pearson's Correlation Coefficient

and regression were applied and scores were computed. The results of the computation of the different variables explain the relationship between Transactional and Transformational leadership style and Organizational Performance.

Table 1  
*Correlation*

	OP	T&TL
OP	1	
T&TL	.219**	1

Note. \*\* correlation is significant at the 0.01 level (2-tailed)

In the table 1 the correlation among transactional, transformational leadership and organizational performance was calculated. It was found that the relationship between transactional, transformational leadership styles and organizational performance is ( $r=.22, p<.05$ ). This result about the transformational and transactional leadership styles and organizational performance reveal that there is significant relationship between transformational and transactional leadership styles and organizational performance but this relationship is weak. It may be due to the fact that transformational and transactional leadership styles have not been properly implemented in the public sector organizations in Pakistan. Some features of these leadership styles are exist in the public sector organizations in Pakistan that is welcomed and appreciated by the employees and leaders.

Table 2  
*Regression*

	$\beta$	R Square	Adj. R Square	F	t	Sig
Constant	1.439	.563	.559	155.299	22.87	.000
T&TL	.350				12.49	.000

After the regression analysis the table 2 reveals that R square is .56. It represents that 56% changes in the organizational performance occur due to the transformational and transactional leadership styles. Which explain that there is positive significant impact of transformational, transactional leadership styles on the organizational performance. The F-value shows fitness of the model.

The regression analysis in the table 2 shows that there is significant positive impact of the transformational, transactional leadership styles on the organizational performance. In table 2 the B values is 0.350, it shows that 35% changes in the organizational

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performance are because of the transformational, transactional leadership. It means that the transformational and transactional leadership styles have significant positive impact upon the organizational performance.

### Conclusion

This study investigates the relationship between transactional and transformational leadership styles and the performance of public sector organizations in Pakistan. The study concludes that in transactional styles the leaders reward their subordinates. The subordinates are motivated to show better performance and efficiency as they get rewards from their superiors. Rewards also contribute to develop employee's self-esteem which has essentially a healthy impact upon the job performance. The development of self-esteem increases their sense of satisfaction and they continue to work for the organization with motivation and fervor.

The study also concluded that transformational leadership is by nature inspirational and challenge oriented. Transformational leaders actually motivate and inspire their subordinates. Transformational leaders provide their subordinates meaning about their responsibilities, develop mutual understanding and also challenge their beliefs regarding their roles and responsibilities. For this purpose such leaders present themselves as role models and show appropriate behaviors to their subordinates (Podsakoff, Mackenzie, Moorman & Fetter, 1990).

Thus this study finally concludes that both the leadership styles such as transactional and transformational are significantly related to organizational performance because, in both the styles of leadership organizational performance have been focused. It simply shows that in public sector organizations in Pakistan these leadership styles need to be implemented to improve performance.

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